

other State. Productivity growth in recent years has been driven by the combination of new technology and investments in capital goods, research and development, workers, and public infrastructure.

To continue this pattern of growth, the focus must now be on providing incentives to companies that invest, innovate, and create the new capital and knowledge that drive the U.S. economy.

Since its enactment in 1981, the research tax credit has provided a powerful and effective incentive for firms to increase research spending.

The tax credit lowers the cost of conducting research in the United States.

This credit makes a real difference in the amount of research undertaken and jobs created in the U.S.

I also support the Harkin amendment which was adopted as part of this legislation. This amendment will prevent the White House from implementing changes in existing overtime laws that reduce the number of workers protected by labor laws.

Last year the White House proposed redefining the job descriptions of millions of workers, thereby eliminating their right to Federal overtime protection.

After many in this chamber raised serious concerns over such a change, the administration released final rules that made a significant, yet insufficient, change to those draft rules.

Unless we act, these rules will take effect later this year.

If the Department of Labor's own numbers are correct, then more the 117,000 individuals could lose overtime protection. If they are wrong, it could be millions.

These rule changes would wipe out overtime pay protections and increase work hours. In California alone, several hundred thousand workers could lose their Federal overtime protection. However, State law will continue to protect most workers from the most harmful effects of this rule change.

But, some public employees and many in the film industry won't be so lucky.

Although most workers in California will maintain their right to overtime through protections granted by State law, the rule change represents a movement in the wrong direction when it comes to protecting working families.

I also support provisions in the bill that will prevent the Federal Government from spending taxpayer money on contracts that use labor located outside of the United States.

Although our Nation has entered a period of economic recovery with significant productivity gains in the last several quarters—it is clear that a great deal of this productivity comes from two things: 1. downsizing of employees, and 2. outsourcing—turning to foreign labor in foreign countries.

In the past decade, General Electric sent 10,000 information services jobs to India; Electronic Data Systems ex-

ported 13,800 jobs to several nations; Microsoft spent \$100 million on a new call center in the Philippines; and Citigroup and Bank of America both sent software development jobs to India.

And while corporate earnings are up and the stock market remains high, we are continuing to lose service sector and manufacturing jobs.

I realize that many firms benefit greatly from outsourcing, but it damages the long term health of our communities unless we vigorously support new job growth.

We must give companies incentives to keep jobs here, and we must ensure that taxpayer money is not used to subsidize outsourcing.

This legislation will also help protect our environment by providing tax credits that encourage companies to produce energy by using underbrush and other hazardous fuels from our forests.

By providing an incentive to companies to remove these hazardous fuels from our forests, we will reduce the chance of forest fires in the western United States and provide much needed energy to this region of the Nation.

Additionally, this bill contains tax credits directly to consumers who purchase hybrid vehicles. These vehicles reduce air pollution and cut ozone in California.

Having said this, however, I recognize that there are significant problems with this bill.

For instance, it is clear that multinational corporations are not paying their fair share of taxes.

This bill allows companies to bring foreign-earned profits back into the United States at a greatly reduced tax rate—reduced from the current 35 percent to 5.25 percent. This is half as much as the lowest personal tax rate paid by individuals—10 percent.

Under an amendment which I sponsored with Senator BREAUX, companies would have been allowed to bring foreign-earned profits back to this country at the reduced 5.25 percent rate provided that they use those repatriated profits for activities that promote job growth or benefit employees.

Sadly, a lobbying effort by large multinational companies helped to defeat that amendment.

What is disturbing about this provision is that an unconscionable number of American companies are taking advantage of loopholes in U.S. tax law and paying no taxes.

According to a recent Government Accounting Office report, entitled "Comparison of the Reported Tax Liabilities of Foreign and U.S. Controlled Corporations, 1996–2000", 61 percent of U.S.-controlled corporations and 71 percent of foreign-owned corporations operating in the U.S. reported no tax liability during the period studied.

This means that approximately two-thirds of all companies operating in the U.S. paid absolutely no corporate income taxes between 1996 and 2000.

This is stunning.

Corporate tax receipts used to account for a much greater percentage of Federal revenues than they currently do.

According to the Brookings Institution, in 1945, income taxes from corporations accounted for 35.4 percent of Federal receipts. In 1970, income taxes from corporations accounted for only 17 percent of Federal revenues.

Today, however, corporate income taxes account for only 7.8 percent of Federal revenues.

This means that corporations are paying a smaller percentage of taxes than they have in the past five decades.

We have got to change the way we tax corporations in America. We have got to provide incentives to encourage corporate responsibility.

Corporations have got to worry about more than just the bottom line. They have got to become good corporate citizens. Unfortunately, this bill does not do enough to encourage that kind of corporate responsibility.

Going forward, I will seek to return balance to our tax system.

The middle class is being squeezed, while multi-nationals continue to outsource jobs and receive tax breaks for doing it.

Nevertheless, I will vote to protect California workers by helping to foster an environment where manufacturers can hire again. I will support research and development in our labs and factories. And, I will support protecting overtime protections for California citizens.

This is by no means a perfect bill.

But taken as a whole, I believe it is worthy of passage.

SUPPORT OF THE MCCAIN AMENDMENT TO S. 1637

Mr. FEINGOLD. Mr. President, I would like to express my support for the amendment offered by the senior Senator from Arizona, Mr. MCCAIN, to strike the energy tax title from the Foreign Sales Corporation bill. I recognize the need for a comprehensive energy policy and incentives for alternative energy development. I also believe that the tax package offered by the Senator from Iowa and the Senator from Montana was more balanced than the energy tax title from the H.R. 6. energy conference report. However, I am disappointed that the energy tax title in the FSC/ETI bill did not extend these tax credits in a more fiscally responsible way.

I support many of the tax credits in this legislation, such as extension of the wind energy producer credit. The wind energy tax credit is an important step in the continued effort to increase our energy security and to decrease our reliance on carbon-based energy sources. Wisconsin has a lot to offer in this area. I support tradeable tax credits for rural cooperatives, and the other provisions that would specifically benefit rural cooperatives and

small renewable fuel producers. I also support many of the other provisions that increase energy efficiency and promote renewable fuels and alternative energy sources.

The energy tax title as written, however, will cost from \$15–20 billion dollars. The oil and gas incentive section would cost taxpayers \$6.5 billion and allows companies to deduct the costs of mineral exploration and marginal oil wells. The nuclear power incentives total \$1 billion, and the so-called “clean coal” incentive is \$2.2 billion. In addition to these credits to mature industries, the “non-conventional fuel credit” that supports the synfuels industry and coalbed methane industry would cost the taxpayers an additional \$2.5 billion. According to a Time magazine article entitled “The Great Energy Scam,” some plants merely spray newly mined coal with diesel fuel or pine-tar resin to qualify for the synfuel tax credit. We also need to consider the detrimental environmental impacts of these tax breaks. A proposed coalbed methane project in Wyoming, for example, could draw on 1 billion gallons of groundwater a day and would benefit from this provision.

I remain committed to supporting legislation to encourage alternative energy research and production. In terms of overall energy policy, I believe we must develop cleaner, more efficient energy sources and promote conservation. We need a comprehensive energy policy, but it must be balanced and fiscally responsible. I believe that we can meet these goals, but unfortunately, this energy tax title falls short of that goal. Therefore, I support the McCain amendment to strike it from the bill.

PROPOSED 90-DAY DELAY IN FEC RULEMAKING

Mr. MCCAIN. Mr. President, I am joined on the floor today by my good friend from Wisconsin, Senator FEINGOLD, to speak briefly about a recent recommendation by the general counsel of the Federal Election Commission, FEC, to delay the 527 rulemaking another 90 days. Additionally, we would like to express support for an excellent bipartisan proposal by two members of the FEC to resolve the issue of 527 groups spending illegal soft money to influence Federal elections. As my colleagues know, the problem of 527 groups raising and spending soft money has somehow become a very contentious and partisan issue. That is unfortunate, because it need not be, and the Toner/Thomas proposal proves the point.

As my colleagues know, the general counsel of the FEC made a recommendation yesterday to delay the 527 rulemaking which the commission is to rule on tomorrow. This is a terrible idea. There is simply no reason for the commission to continue fiddling while Rome burns. The commissioners need to decide the 527 issue to-

morrow, on schedule, without more pointless delays. Everyday, 527 groups whose purpose is to influence the presidential election are breaking the law. They are spending millions of dollars in soft money to influence Federal elections in plain violation of the Federal Election Campaign Act of 1974, which the commission has failed to enforce for a generation. And these groups are now using the FEC inaction to blow a hole in the soft money ban upheld by the Supreme Court.

In the middle of an election cycle, the FEC is considering taking a pass on the most critical issue on its plate. If they do, it will be just one more example of the agency's utter inability to enforce election law. My colleague, TRENT LOTT, recently said he was considering hearings on FEC reform, and if this absurd delay happens, I think we may be talking about hearings sooner rather than later. The FEC is responsible for the start of soft money in the first place. They must not get away with it again.

This is particularly galling because the main reason the general counsel office gives for its delay—the size and complexity of the rulemaking, and the possible impact on 501(c) organizations—is a canard. There is an excellent, bipartisan proposal on the table from Commissioners Toner and Thomas that would deal with the 527s in a simple, straightforward way. With their proposal, the commission has the perfect opportunity to prove they can uphold the election laws that were passed by Congress more than 25 years ago, signed by the President, and upheld by the Supreme Court. It may sound a little odd to be excited at the prospect of a Federal agency properly upholding existing law, but in the case of the FEC, it would be something of a new phenomenon.

There is absolutely nothing in the general counsel's rationale for delaying action here that justifies refusing to act now to fix the FEC's absurd allocation regulations that are being used to spend 98 percent soft money to influence the presidential election. The general counsel's recommendation provides no excuse for failing to act tomorrow on the portion of the Toner/Thomas proposal that would fix the allocation rules and correct the FEC's mistake in adopting them, a mistake made clear by the Supreme Court decision *McConnell v. FEC*. The only conclusion that can be reached if action to correct the allocation rules is rejected by the FEC is that the commission wants to protect and license the illegal use by 527 groups of soft money to finance partisan voter mobilization efforts to influence the 2004 presidential election.

The bipartisan proposal by Commissioner Michael Toner, a Republican, and Commissioner Scott Thomas, a Democrat provides a clear, effective and immediate solution to the soft money problems that have arisen with these 527 groups. The FEC is supposed

to meet tomorrow to consider this proposal, and I strongly urge them to adopt the proposal and seize this opportunity to enforce the law.

First, I note that their proposal would explicitly apply only to 527 political committees, and not to 501(c) non-profit groups, which should take care of the concerns of those in the non-profit community that the FEC would overreach, and affect their own important work. That is simply no longer an issue, and the commission can act tomorrow, rather than waiting around until a more convenient moment to enforce the law.

The Toner/Thomas proposal deals with what we believe to be the two main problems with the 527 groups. First, their plan would fix the commission's absurd allocation rules, which control the mix of soft and hard money these groups can spend. Under the current rules, 527s can simply claim that they're involved in both Federal and State elections, even though they're obviously and admittedly clearly working for the sole purpose of defeating or electing a presidential candidate. That claim, and the absurd FEC rules that currently exist, has led one such 527 group to use 98 percent soft money for their partisan vote mobilization activities to influence the presidential election and only 2 percent hard money. That is an obvious circumvention of the longstanding Federal Election Campaign Act, FECA, as well as the new ban on soft money in Federal elections, and a hole in the dike that absolutely must be plugged.

The Toner/Thomas plan would deal with this by simply requiring groups involved in partisan voter mobilization activities in Federal elections to use a minimum of 50 percent hard money to pay for those activities. That straightforward, easy to understand rule will have the effect of substantially limiting the amount of soft money a 527 group can use on these activities, and I believe it is an effective way to deal with the problem at this time.

The second issue the two commissioners' plan would address is the use of soft money by these 527 groups to run attack ads attacking and promoting presidential candidates. These groups are claiming that they are exempt from the normal Federal rules prohibiting the use of soft money to fund such ads because they are not political committees under FEC rules. In essence, these political organizations are claiming that as long as their ads do not use words like “vote for” or “vote against,” they can spend as much soft money as they please attacking and promoting Federal candidates.

That argument is simply absurd, even though the FEC's failure to properly enforce the law has allowed it to gain currency over the years. In order to qualify for their 527 tax status, these organizations have to meet the IRS test of being groups that are “organized and operated primarily” to influence elections. And under the Federal